STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. _____

Petition of twenty Vermont utilities and	)
Vermont Public Power Supply Authority	)
requesting authorization pursuant to 30	)
V.S.A. § 248 for the purchase of shares of 218	)
MW to 225 MW of electricity from H.Q.	)
Energy Services (U.S.) Inc. commencing	)
November 1, 2012 through 2038, issuance of	)
findings that such purchases are entitled to	)
rate recovery assurance, and requesting	)
certain approvals under 30 V.S.A. § 108	)

PREFILED TESTIMONY OF TODD A. ALLARD
ON BEHALF OF
VERMONT MARBLE POWER DIVISION OF OMYA INC.

Mr. Allard's prefiled testimony supports (i) why the Power Purchase & Sales Agreement ("PPA") with H.Q. Energy Services U.S. Inc. ("HQUS") is needed to meet VMPD's demand requirements (Section 248(b)(2)(need)), (ii) how the HQUS PPA provides an economic benefit to VMPD, its customers, and the state (Section 248(b)(4)(economic benefit)), (iii) how the PPA is consistent with VMPD's IRP (Section 248(b)(6)(IRP)), (iv) VMPD's recovery of the costs of electricity under the PPA will be recoverable in rates, (v) and approval under 30 V.S.A. § 108.

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PREFILED TESTIMONY OF TODD A. ALLARD

Q #1. Please state your name and address.

A. Todd A. Allard, 9987 Carver Road, Suite 300, Cincinnati, OH 45242.

Q #2. By whom are you employed and in what capacity?

A. I am employed by Omya Inc. as the Strategic Sourcing Manager – Energy and Engineering. In that position, I have general oversight for regulatory matters involving the Vermont Marble Power Division of Omya Inc. ("VMPD") and specifically for power supply, power planning, and rates.

Q #3. Please briefly describe your educational background and experience.

A. I graduated from the University of Vermont in 1991 with a Bachelor of Science degree in Civil Engineering. As a college student, I worked for VMPD during the summer months conducting property audits for purposes of VMPD's integrated resource planning ("IRP"). I also was involved in and assisted with the planning and engineering of various projects for VMPD. I became employed full-time by VMPD following my graduation from college and I have been involved in a variety of projects for VMPD, including the engineering of transmission and distribution projects, line relocations, generating facility maintenance and enhancement projects, as well as a continued involvement in VMPD's IRP. I also have had extensive involvement in power supply and power purchase planning and implementation.

Q #4. Have you participated in or provided testimony to the Public Service Board in other dockets?

A. Yes, I have, on numerous occasions in connection with dockets particular to VMPD (e.g. Dockets No. 6260, regarding an emergency pole removal and replacement; 7378, regarding replacement of Unit #2 at VMPD's Beldens Station; and 6960 and 7328, regarding VMPD's IRPs approved in those proceedings); and in connection with generic dockets that involved all of the Vermont utilities (e.g. Docket No. 6181, regarding net metering). Most recently, I have provided testimony in support of

VMPD's request to revise its retail rates, which is undergoing consideration in Docket No. 7598.

Q #5. Please provide an overview or summary of your testimony.

A. My testimony is given in support of the petition to the Public Service Board (the "Board" or "PSB") for a certificate of public good and approval to enter the Power Purchase & Sales Agreement ("PPA"), dated as of August 12, 2010, with H.Q. Energy Services U.S. Inc. ("HQUS") as Seller. The HQUS PPA is described in the joint prefiled testimony of William Deehan and Christopher Cole and I will not reiterate that, but incorporate it by reference as background for my testimony. My testimony briefly will describe VMPD's history and system, why VMPD has agreed to enter the PPA, (i) its role in meeting VMPD's demand requirements (Section 248(b)(2)), (ii) how the PPA provides an economic benefit to VMPD, its customers, and the state (Section 248(b)(4)), (iii) how the PPA is consistent with VMPD's IRP (Section 248(b)(6)), (iv) VMPD's desire to receive and the benefits of receiving approval to recover the costs of energy under the PPA in rates, and (v) approval under 30 V.S.A. § 108. In that connection, I will discuss certain terms and provisions of the PPA and other aspects of the transaction that make it in the public good.

Q #6. Please describe VMPD and its system.

A. VMPD is a "company" subject to the jurisdiction of the Board under Title 30.

VMPD's service territory contains two components: a geographic area (consisting primarily of the town of Proctor) and VMPD's affiliated operations located outside that geographic area, primarily the mineral processing facility in Florence, Vermont (the "Verpol Facility").

VMPD operates four hydroelectric generating facilities on Otter Creek as well as a cogeneration facility located internally to the Verpol Facility. The four hydroelectric facilities are located at Center Rutland, Proctor, Beldens (in New Haven), and Huntington Falls (in Weybridge), Vermont. The Center Rutland Station is the smallest (with a generating capacity of approximately 300 kW) and the Proctor Station, which contains 5 units, is the largest (with a generating capacity of approximately 6700 kW). The Beldens and Huntington Falls Stations are approximately the same size (5700 kW each). The combined average production of the VMPD hydroelectric facilities (1989 – 2008) is approximately 70,750,000 kWh, which represents about one-third of VMPD's average annual system requirements. (As the Board is aware from other filings, the vast majority of VMPD's load, some 95%, is represented by its affiliated industrial load and the balance, approximately 5%, is represented by VMPD's retail load, primarily the residential and commercial customers in Proctor and Danby, Vermont.) Because VMPD's load cannot be met by internal generation, VMPD also acquires power on the open market via bilateral

contracts and other market purchases. One contract that currently is in place, but will expire in 2012, is the purchase of power from Hydro-Quebec under the Hydro-Quebec Participation Agreement (the "Participation Agreement") approved by the Board in Docket No. 5330. VMPD acquires 2.048 MW of power under Schedule C-1.

Q #7. What other bilateral contracts does VMPD presently have in place?

A. Presently, VMPD has four short term contracts in place with Morgan Stanley as follows: a 3 and a 5 MW contract for the term calendar year 2010; a 3 MW contract for the term calendar year 2011; and a 2 MW contract for the term calendar year 2012.

Q #8. Why does VMPD want to acquire electricity under the PPA?

A. There are several reasons for that. First, as noted above, VMPD's own generation is capable of meeting only about one-third of its system requirements, with the other two-thirds being acquired in the marketplace. Of that two-thirds, we currently do not have any bilateral contracts in place for the period in which this PPA would cover (with the exception of 2 MW for the months of November and December 2012). Thus, currently, approximately 63 percent of our system requirements would be provided by market purchases (short to medium term bilateral contracts and/or spot market purchases). Market purchases can experience very volatile pricing; for example, during the last twelve months, spot market prices have ranged

from approximately $17.00 to $185.00 per MWH. While bilateral purchases afford more stability, their relatively short duration still results in significant volatility. The proposed PPA strikes a balance between minimizing volatility while having some reference to market price.

Another factor in our decision to enter the PPA is that the availability of bilateral contracts, particularly for relatively small amounts of power (under 5MW) such as that purchased by VMPD, are difficult to find and negotiate. Counterparties often do not like to deal in such small increments, with such small entities as VMPD, and they are reluctant to enter contracts with terms of longer lengths. At a minimum, the number of counterparties interested in such smaller quantity contracts is limited. As a result, VMPD is disadvantaged in its ability to lock in power supplies that effectively can be used to provide a relatively stable price for electricity. The PPA makes available to VMPD a reasonable size block of power, on stable pricing terms, and for a long period, thereby avoiding a lot of the difficulties we have experienced.

Finally, because we have enjoyed a working relationship with Hydro-Quebec, through the Participation Agreement, we are familiar with that entity's corporate culture and are confident that HQUS will be a good and reliable party.

Q #9. Please describe VMPD's purchase entitlements under the PPA.

A. The PPA covers six periods for the Energy Quantity set forth in two allocation tables. The first table (reproduced below) establishes the available Energy Quantity on the basis of the transfer capability limitations at the Highgate Converter, which is 218 MW. Thus, 218 MW is the Energy Quantity allocated among the Vermont Buyers. The second table (also reproduced below) represents the allocable Energy Quantity if the Highgate Converter's transfer capability is increased to 225 MW during the term of the PPA. The following two tables are from the HQUS PPA and set forth VMPD's, and the other Vermont Buyers', allocations of the Energy Quality:

BUYERS' SHARES OF THE ENERGY QUANTITY AT 218 MW

	November 1, 2012 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2016 to October 31, 2020	November 1, 2020 to October 31, 2030	November 1, 2030 to October 31, 2035	November 1, 2035 to October 31, 2038
	MW	MW	MW	MW	MW	MW
BED	0	5	5	9	9	4
CVPS	0	83.119	94.119	95.119	105.809	22.69
GMP	4.821	65.589	75.063	75.063	79.11	18.342
Stowe	1.032	2.884	2.984	2.984	2.251	0.399
VEC	15.236	15.236	15.236	16.236	4.004	4.004
VPPSA	0.911	11.172	15.598	15.598	16.267	6.006
VMPD	3	4	4	4	1.559	0.559
Total	25	187	212	218	218	56

BUYERS' SHARES OF THE ENERGY QUANTITY AT 225 MW

	November 1, 2012 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2016 to October 31, 2020	November 1, 2020 to October 31, 2030	November 1, 2030 to October 31, 2035	November 1, 2035 to October 31, 2038
	MW	MW	MW	MW	MW	MW
BED	0	5	5	9	9	4
CVPS	0	85.419	96.419	98.419	112.101	26.682
GMP	7.017	67.485	76.959	76.959	81.293	20.825
Stowe	1.238	2.89	2.99	2.99	2.135	0.483
VEC	17	17	17	17	3.845	3.845
VPPSA	1.745	11.206	15.632	15.632	15.91	6.449
VMPD	5	5	5	5	0.716	0.716
Total	32	194	219	225	225	63

Q #10. It appears that the quantities of electricity VMPD will be purchasing under the PPA will be greater than under the Participation Agreement, is that correct?

A. Yes, it is. Since the time of the Participation Agreement, VMPD's load and requirements have grown significantly due almost entirely to the increase in VMPD's internal industrial load. For example, between 1990 and 2009, VMPD's load has grown nearly 73% (excluding VPX sales). I should note that this increase takes into account a recent reduction in the industrial loads experienced in connection with recent economic conditions.

<u>Section 248(b)(2) – Need</u>

Q #11. Section 248(b)(2) requires the Board to find that the PPA "is required to meet the

need for present and future demand for service which could not otherwise be provided in a more cost effective manner through energy conservation programs and measures and energy-efficiency and load management measures . . . ."

Please explain how the PPA satisfies that criterion.

A. As I explained briefly above, VMPD has been making open-market purchases to meet a substantial portion of its system requirements. With the ensuing expiration of the Participation Agreement, the near term expiration of the various bilateral contracts I described as well, and the fact that VMPD's own generation meets only on average about one-third of its system requirements, VMPD is facing a very large gap between its requirements and its abilities to serve its own load. That need, some 16 MW, can be met by continuing the effort to acquire power on the open market, but that effort is fraught with risk and exposure to price volatility. It is inconceivable to me that efficiency and load management measures, regardless of their cost, can be relied upon to satisfy two-thirds of our requirements. And, that does not even consider cost-effective evaluations. To put that into better perspective, VMPD typically purchases 5 to 7 MW of power on the very short-term and spot market and approximately 10 MW on the medium term (approximately 1 year term) market. Those medium term purchases occur up to four years in advance. At the moment, VMPD projects a significant gap in its power supply

portfolio, amounting to about 60% of projected load by 2013. This gap normally would be filled beginning in the preceding 3 to 4 years. With the proposed PPA in place, the gap will be reduced (effectively putting another "layer" in the portfolio) with energy that is stably priced but still tied to market price. The supply gap is depicted graphically in Exhibit VMPD-TAA-A.

VMPD anticipates that the PPA will meet approximately 15% of VMPD's annual electricity requirements over the years projected.

Q #12. What load assumptions did you use to develop your forecasted need for power?

A. Basically, although the economy has changed significantly over time, I utilized the load projections set forth in VMPD's Integrated Resource Plan ("IRP") approved by the Board in Docket No. 7328, Order entered October 1, 2008. Those projections are the most current long-term projections and are not significantly impacted by the near-recent term market perturbations. The IRP projected the following loads:

Vermont Marble Power Division

Sales Forecast by Customer Class

Year	Residential (MWh)	Commercial (MWh)	Industrial (MWh)	Street Lighting (MWh)	Total (MWh)
2007	6,364	1,878	205,632	98	213,973
2008	6,431	1,894	205,667	98	214,091
2009	6,499	1,911	205,703	98	214,211
2010	6,568	1,927	205,740	98	214,333
2011	6,637	1,944	205,778	98	214,457
2012	6,707	1,961	205,817	98	214,583
2013	6,778	1,978	205,857	98	214,711
2014	6,850	1,995	205,897	98	214,840
2015	6,922	2,012	205,939	98	214,972
2016	6,995	2,029	205,983	98	215,105
2017	7,069	2,047	206,027	98	215,241
2018	7,144	2,064	206,072	98	215,379
2019	7,219	2,082	206,119	98	215,519
2020	7,296	2,100	206,167	98	215,661
2021	7,373	2,118	206,216	98	215,805
2022	7,451	2,137	206,267	98	215,952
2023	7,529	2,155	206,318	98	216,101
2024	7,609	2,174	206,371	98	216,252
2025	7,689	2,192	206,426	98	216,406
2026	7,771	2,211	206,482	98	216,562

Q #13. In your last answer, you indicated that recent events may have been different from short term projections contained in the IRP; can you explain that?

A. Yes. In contrast to the load that was projected for 2009 in the IRP of approximately 214,000 MWh, the economic downturn resulted in actual load of 177,493 MWh.

The biggest reason for that was a reduction in the demand by the affiliated industrial load, which declined to 166,075 MWh in 2009. As it stands currently, loads are beginning to return and the industrial operation projects that it will be returning to a more normal or typical load pattern during the years 2010-2011. While there is no certainty that will be the case, the economic forecasts for the United States are looking somewhat brighter now than they were a year ago and, because the products of the industrial operations are used in the manufacture of paint, paper, plastics, and other end user products, the national market, more than Vermont economic conditions, is a better indicator of those operations and, in turn, the electric load. On that basis, I believe the IRP projections are reasonable to use for the long term forecast involved in this case. All that said, even if the more recent past (i.e. lower loads) were to continue, VMPD still would be unable to meet its loads with its own generation and still would need to meet approximately 60% of its (reduced) load. That amount (corresponding to 12 MW) could not be provided more cost-effectively by efficiency and load management measures.

Q #14. Did you factor into your determination of need any efficiency and load response measures?

A. Yes, and again, I considered the efforts of our affiliated industrial load briefly described in our IRP. Also, because efficiency measures for VMPD's retail

customers are provided by the Energy Efficiency Utility ("EEU"), loads will be somewhat reduced; however, the magnitude of the need is still such that a significant amount of energy will have to be procured in the coming years. The affiliated industrial operations also have participated in the ISO-NE Demand Response program over the past several years, increasing the participating amount to a current level of 14 MW. While this amount is significant, it again does not appreciably reduce the future energy needs of VMPD given the relatively short term duration of the demand response events (at least not to the level at which the proposed PPA would not be needed). That said, because the affiliated industrial loads are such a significant part of VMPD's system loads, that is the driving force in our need estimate and, as I discussed earlier, the loads projected in our IRP are reasonable to use for this purpose.

Section 248(b)(4) -- Economic benefit

Q #15. Section 248(b)(4) requires the Board to find that the PPA "will result in an economic benefit to the state and its residents." Please address that criterion and explain how the PPA satisfies the requirement of economic benefit.

A. There are several ways the PPA satisfies that criterion. First, and as the Board has made clear in a number of recent decisions, it is economically beneficial to Vermont, and to its ratepayers, that power supplies be "stably priced". Earlier, I

testified to the volatility of pricing in the open market. Bilateral contracts (especially in comparison with those that are priced "at the market" or at some discount to the market) can avoid volatility if they are established on fixed price terms. However, the prices that are fixed invariably are different from (sometimes higher, sometimes lower than) the market, so there is a trade-off between variability, on the one hand, and fixed price terms on the other. The PPA contains provisions (at Section 3.2(e)) that, while not setting fixed prices, do temper the fluctuations in price over time. (A more complete explanation of these terms is set forth in the testimony of the main witnesses, Bill Deehan and Christopher Cole.) For example, the pricing provisions contain a feature that constrains price changes within a defined range in comparison to the prior year's price. In addition, the price is set annually, which by definition reduces the volatility, or enhances the stability, of the pricing mechanism. Also, while the initial pricing under the PPA is based on a market price, subsequent year pricing is influenced directly by a market based inflation index. There are other pricing factors that also temper price volatility and tie the contract price to broader economic factors and indices than, for example, a single or small basket of fuel prices such as gas, fuel oil, and the like. All of these mechanisms achieve a sort of hedge against volatility. The PPA contains a sample calculation in an appendix that shows how the pricing mechanism works and how

price fluctuations are dampened. (Of course, different assumptions will lead to different results, but the example does show the stability and relative level of the pricing provisions in comparison to market.)

Q #16. In that example, the assumption is that market prices for energy will go up in the second contract year. In this example, will the PPA's pricing formula have a moderating effect on the calculation going forward?

A. Yes, based on the pricing formula as explained in the Deehan-Cole testimony.

Q #17. What if market prices drop in the future; won't the effect of the calculation under some circumstances be to hold the contract prices above the market?

A. Yes, that is correct, but, in order to achieve stable pricing, one must "take the bad with the good" so to speak. In any hedge, there will be a price to pay to shift the risk of volatility from one party to the other. One cannot avoid missing the market unless the contract is priced at the market. Stated otherwise, to achieve stable pricing, there will be times when the Contract Price is above market and times when it will be below.

Q #18. How will the PPA provide an economic benefit to VMPD's ratepayers?

A. As I have described, the pricing under the PPA will be market based, but more stable (i.e. less volatile) than the market, so it will avoid or dampen fluctuations in pricing that otherwise could result in the need for further rate cases, and the cost of

pursuing rate cases. As the record in Docket No. 7598 demonstrates, VMPD does not pursue rate cases often, largely because the costs of such efforts are borne by a limited customer rate base. However, over time, that has resulted in the affiliated operations subsidizing the retail operations and the cost of doing so becomes problematic and unsupportable. I would expect that, going forward, the industrial operations would be less enthusiastic about supporting the retail operations, which would result in more frequent rate changes. Of course, that would have an effect not only on VMPD and its retail customers, but it also would impose costs on the regulators, which means Vermont.

Q #19. Are there other benefits of the PPA that may not be quantifiable but that have presumptive economic benefit to Vermont?

A. Yes, the PPA makes available electricity largely from renewable resources, which is highly valued in Vermont, and can result in actual dollars in the marketplace. Specifically, the PPA obligates HQUS to transfer to VMPD (as one of the Buyers) environmental attributes corresponding to energy from the HQP System Mix which is to be comprised of not less than ninety percent (90%) hydroelectricity. The PPA also enables the Buyers to monetize the environmental attributes associated with the deliveries under the PPA. While that is on a shared basis, it does afford economic benefits should a Buyer (speaking now for VMPD) not require, but desire

to sell, those attributes. Another factor of importance is the long term (26 years) of the PPA. That is of economic importance because it provides a reliable source of electricity, on known terms, and without the annual (or other periodic) risk and expense of going to the market to secure resources. Yet another factor of economic importance is the relative credit provisions in contrast to what other providers may demand in the marketplace. And, Board approval to recover the cost of electricity under the PPA in VMPD's rates would have a favorable impact on the PPA credit provisions, as explained in the Deehan-Cole testimony. Finally, one very significant factor that is not included in the PPA, and that avoids substantial economic risk, is the concept of a mandatory "step-up" such that remaining Buyers would be responsible for defaults by others. That is, the obligations under the PPA are separate and distinct and not shared among the Buyers. Given the concerns that arose under the terms and treatment of the Participation Agreement, the absence of such a provision in the PPA was a significant positive factor in VMPD's assessment of its merits and worth.

Section 248(b)(6) – Integrated Resource Plan

Q #20. Section 248(b)(6) requires that the Board must find that "purchases . . . by a company, is consistent with the principles for resource selection expressed in that company's approved least cost integrated plan;" is the purchase of energy under

the PPA consistent with VMPD's approved IRP?

A. Yes, I believe it is. In the IRP approved in Docket No. 7328, VMPD evaluated a series of alternative portfolios, including renewable energy technologies, bulk generation technologies, and contractual options, utilizing a multi-attribute tradeoff analysis. The trade-offs considered are: Portfolio Cost, Short Term Volatility, Long Term Hedge Level, Multi-Year Hedge Level, Maximum Financial Commitment, Average Financial Commitment, Maximum Mark to Market Exposure, and Carbon Dioxide Emissions. The conclusion of the IRP was:

> The discussion of the stress test observations above indicates that a good portfolio strategy to follow would contain VY and Hydro Québec, or an equivalent, at the right contract price together, perhaps, with some modest bilateral hedging. Those options all are market based so a keen understanding and viewpoint on the market outlook is necessary to determine actual potential savings. The important observation from the portfolio evaluations is that the bilateral hedging activity provides stability but not necessarily significant savings.

In my review of the PPA against the analysis conducted in the IRP, it appears to me that the PPA is fully compliant and consistent with the IRP.

<u>Recovery of PPA costs in rates</u>

Q #21. Why has VMPD requested the approval of the Board to recover costs of energy under the PPA in its retail rates?

A. There are several reasons for that. First, of course, it provides some level of comfort to VMPD and a correlative reduction in uncertainty, and risk, going

forward. Also, rate recovery approval will signal to the market that dealing with VMPD affords counterparties a reduced level of risk. That, in turn, can have beneficial effects in terms of the requirements imposed on VMPD for credit enhancement or support for other power transactions thereby reducing the effective costs of such transactions, all to the benefit of VMPD's ratepayers. While it is understood that such approval may not constitute "prudence" review, because of the ongoing need in utilities to be careful managers of their power supply portfolio, still such approval will assist in VMPD in its activities in the marketplace. More concretely, as noted earlier, the approval by the Board to recover the costs of the PPA in VMPD's rates has a favorable impact on the credit provisions under its Collateral Agreement.

This would have a direct beneficial financial impact upon VMPD, and its customers The approval by the Board of rate recovery also sends a signal to VMPD's counterparties that the PPA is viewed positively and that VMPD is creditworthy.

Section 108 Approval

Q #23. Is VMPD seeking approval from the Board under 30 V.S.A. § 108 in order to support its collateral requirements under the Collateral Agreement?

A. Yes. Although that section mandates that a corporation may not "mortgage nor pledge any of its corporate property nor issue any . . . notes or other evidences of

indebtedness without the consent of the public service board . . . and a finding of the board that the proposed action will be consistent with the general good of the state", and although VMPD does not intend to mortgage or pledge its property or issue evidences of indebtedness, in order to be prepared in the event a pledge or some evidence of indebtedness is required, because there will not then be sufficient time to seek and obtain Board approvals, VMPD does seek Board approval under Section 108. More specifically, in VMPD's experience, mortgages, pledges of assets, or evidences of indebtedness are not normally associated with or required in order for it to secure a Letter of Credit. In this case, VMPD's parent company (of which Omya Inc. is a wholly owned subsidiary) does not provide public services and is not regulated by or subject to the jurisdiction of the Board but will be providing to HQUS a guaranty of VMPD's payment obligations thereby enhancing VMPD's credit-worthiness from the perspective of HQUS. That guaranty has terms that are similar to the guaranty (other than the dollar amount) being provided to the Buyers by HQUS's ultimate parent.

Q #24. How does VMPD's pending sale of assets to Central Vermont Public Service Corporation ("CVPS") affect or relate to the PPA?

A. That transaction should have no effect on the PPA or the Board's review or approval of same in the case of VMPD or CVPS. First, while we fully expect that transaction

to proceed and be consummated, in the event it is not, the PPA is important to VMPD for all the reasons I have stated. Second, assuming that transaction with CVPS is approved, the PPA contains specific provisions recognizing the proposed sale to CVPS. Thus, Section 3.2(c) states:

> subject to Seller's right to require changes in CVPS's credit and collateral requirement under the CVPS Collateral Agreement to reflect the re-allocation of additional Energy Quantity to CVPS, Vermont Marble shall have the right to assign its allocation to CVPS in the event that the Vermont Public Service Board approves the sale of Vermont Marble assets to CVPS and the assignment occurs on or before May 1, 2012.

In order to carry out and effectuate the assignment, VMPD and CVPS have executed, and seek Board approval of, an Assignment and Assumption Agreement, a copy of which is appended as Exhibit VMPD-TAA-B. Even though the PPA requires that the transaction with CVPS must be consummated by not later than May 1, 2012, the contract governing that transaction requires a much earlier date for completion. If that transaction either is not approved by the Board or does not close by the time set for that transaction and is terminated, VMPD will proceed as a Buyer under the PPA. If the Board approves the sale of assets to CVPS, by definition, it will close before May 1, 2012 and VMPD would assign its allocation to CVPS as provided in the Assignment and Assumption Agreement unless the contingencies of the PPA are not satisfied.

Q #25. Do you believe the PPA is in the public good?

A. Yes, I do, for all the reasons I have discussed.

Q #26. Does this complete your testimony?

A. Yes, it does.